

4. For costs not subject to standards, the cost determined in step 2 will be allowed in determining the facility's rate.
5. Accumulate costs determined in steps 3 and 4.
6. Inflate the cost in step 5 by multiplying the cost in step 5, by the inflation factor. The maximum inflation factor that can be used will be that provided by the State of South Carolina Division of Research and Statistical Services and is determined as follows:
 - a. Proxy indices for each of the eleven major expenditure components of nursing homes, (salaries, food, medical supplies, etc.) during the third quarter of 2000 were weighted by the expenditure weights of the long term care facilities. These eleven weighted indices are summed to one total proxy index for the third quarter of 2000.
 - b. Proxy indices are estimated for each of the eleven major expenditure components of nursing homes, (salaries, food, medical supplies, etc.), during the third quarter of 2001 and then weighted by the same expenditure weights as in step a. These weighted proxy indices were summed to one total proxy index for the third quarter of 2001.
 - c. The percent change in the total proxy index during the third quarter of 2000 (as calculated in step a), to the total proxy index in the third quarter of 2001 (as calculated in step b), was 3.2%. Effective October 1, 2000 the inflation factor used was 3.2%.
7. The per patient day cost of capital will be calculated by dividing capital cost as determined under IF(C) of this plan by actual patient days. However, if the facility has less than 96% occupancy, actual days will be adjusted to reflect 96% occupancy.
8. Cost Incentive - General Services, Dietary, and Laundry, Housekeeping, and Maintenance

If the facility's actual allowable costs for these three cost centers are below the sum of these three allowable cost standards, the facility will be eligible for a cost incentive of an amount equal to the difference between the sum of the standards and the sum of the facility's actual costs, up to 7% of the sum of the standards.
9. Profit will be allowed if the provider's allowable cost is lower than the standard as follows:
 - a. Administration and Medical Records & Services - 100% of difference with no limitation.

SC: MA 00-015

EFFECTIVE DATE: 10/01/00

RO APPROVED: MAR 08 2001

SUPERSEDES: MA 99-012

Ceiling on profit will be limited to 3 1/2% of the sum of the provider's allowable cost determined in step 2. The sum of the cost incentive and the profit cannot exceed \$1.75 per patient day.

10. Effective October 1, 1999 a CNA vacancy add on will be included in each qualifying facility's reimbursement rate. This add on will be provided to address the industry wide nurse aide staffing turnover problem, and is described on pages 19 through 22.
11. Effective October 1, 2000, a CNA vacancy add on will be included in each qualifying facility's reimbursement rate. This add on will be provided to continue to address the nurse aid staffing and retention problem in the nursing home industry. The add on methodology is described on pages 22 through 27.
12. For rates effective October 1, 2000, the provider's reimbursement rate under this concept will be the total of costs accumulated in step 6, cost of capital, cost incentive, profit, and CNA vacancy add ons effective October 1, 1999 through October 1, 2000.

D. Nurse Aide Add Ons:

1. Nurse Aide Add On Effective October 1, 1999:

Effective October 1, 1999, a CNA Vacancy Add on will be included in each qualifying facility's reimbursement rate. This add on will be provided in order that nursing facilities can address the industry wide nurse aide staffing turnover problem which was enhanced by a change in the minimum staffing requirements effective January 1, 1999.

The add on is computed using data supplied by each nursing facility as requested by the SCDHHS. The average number of CNA vacancies for each individual facility is computed using the four (4) consecutive weeks with the highest CNA vacancy factor through July 31, 1999 of each facility's FYE 1999 cost reporting period. Once the average number of CNA vacancies are calculated for each facility, the SCDHHS will convert the vacancies to hours based upon 8,760 hours per vacancy. The facility specific nurse aide new hire hourly wage rate as reported by the provider is multiplied by the average number of CNA vacancy hours to determine the total amount of CNA vacancy salary costs. The salary costs are then multiplied by each facility's nurse aide fringe benefit percentage as determined based upon the information

reported on the FYE September 30, 1998 cost report, or the cost report which was used to establish the facility's rate effective October 1, 1999. The total CNA vacancy salary costs and applicable fringe benefits cost are added together and then divided by the total patient days as reported on the facility's FYE September 30, 1998 cost report (or the cost report used to set the facility's rate effective October 1, 1999), with minimum occupancy at 97%, to determine a per patient day cost. The per patient day cost is then multiplied by each facility's SFY 1999 Medicaid permit days in order to determine the total projected Medicaid cost for each facility. Because the total projected Medicaid cost applicable to the CNA vacancies exceeded the \$4.5 million provided by the South Carolina General Assembly, each qualifying facility received 22.18% of the per patient day cost as the CNA vacancy add on.

In order to satisfy the CNA vacancy add on spending requirement for facilities which filed annual 1998 cost reports, the SCDHHS will use the following methodology:

- (A) The SCDHHS will use the FYE September 30, 1998 or June 30, 1998 cost reporting period to set the CNA base year cost.
- (B) The CNA base year cost will include CNA/orderly salary costs and associated fringe benefits, plus CNA/orderly pool costs.
- (C) If the sum of the facility's allowable costs of General Services, Dietary, and Laundry, Housekeeping, & Maintenance exceeds the sum of the three cost center standards, SCDHHS will compute the percentage of reimbursed allowable CNA/orderly cost by dividing the sum of the three cost center standards by the sum of the allowable costs of the three cost centers. This percentage will then be applied to 100% of the CNA costs as defined in (B) above to determine the CNA base year costs.
- (D) A desk audited CNA per diem cost will be calculated from the FYE 1998 cost reporting period using actual occupancy or 97% occupancy, whichever is higher.
- (E) To inflate the FYE 1998 costs forward to the October 1, 1999 through September 30, 2000 rate period, the desk audited CNA per diem cost from the FYE 1998 cost report will be inflated by 3%.
- (F) The nursing facility specific CNA vacancy add on will be added to the trended FYE 1998 desk audited CNA per diem cost as determined in (E) above to set the

spending requirement, on a per diem basis, for CNA/orderly salaries, fringe benefits, and pool costs during the FYE September 30, 2000 or June 30, 2000 cost reporting period.

- (G) Using the September 30, 2000 or June 30, 2000 cost reporting period, the desk audited CNA per diem cost, consisting of CNA/orderly salary costs, associated fringe benefits, and pool costs will be calculated using actual occupancy or 97% occupancy, whichever is higher.
- (H) SCDHHS will then compare the FYE 2000 CNA per diem as determined in (G) to the CNA per diem as determined in (F). If the CNA per diem as determined in (G) exceeds the CNA per diem as determined in (F), the provider has satisfied the spending requirement and thus no funds are due the SCDHHS. However, if the CNA per diem, as determined in (G), is less than the CNA per diem as determined in (F), the SCDHHS will recoup the difference (but not to exceed the facility specific October 1, 1999 CNA vacancy add on amount) paid to the facility during the period October 1, 1999 through September 30, 2001.

In order to satisfy the CNA vacancy add on spending requirement for facilities which filed less than a full year (i.e., Actual) cost report, the SCDHHS will use the following methodology:

- (1) The SCDHHS will use the short/actual cost report ending on or after FYE September 30, 1998 but prior to FYE September 30, 1999 to set the CNA base year cost.
- (2) The CNA base year cost will include CNA/orderly salary costs and associated fringe benefits, plus CNA/orderly pool costs.
- (3) If the sum of the facility's allowable costs of General Services, Dietary, and Laundry, Housekeeping, & Maintenance exceeds the sum of the three cost center standards, SCDHHS will compute the percentage of reimbursed allowable CNA/orderly cost by dividing the sum of the three cost center standards by the sum of the allowable costs of the three cost centers. This percentage will then be applied to 100% of the CNA costs as defined in (2) above to determine the CNA base year costs.

- (4) A desk audited CNA per diem cost will be calculated from the base year cost report period as determined in (1) above using actual occupancy or 97% occupancy, whichever is higher.
- (5) To inflate the base year costs forward to the October 1, 1999 through September 30, 2000 rate period, the desk audited CNA per diem cost from the base year cost report period will be inflated by 3%.
- (6) The nursing facility specific CNA vacancy add on will be added to the trended base year desk audited CNA per diem cost as determined in (5) above to set the spending requirement, on a per diem basis, for CNA/orderly salaries, fringe benefits, and pool costs during the FYE September 30, 2000 or June 30, 2000 cost reporting period.
- (7) Using the September 30, 2000 or June 30, 2000 cost reporting period, the desk audited CNA per diem cost, consisting of CNA/orderly salary costs, associated fringe benefits, and pool costs will be calculated using actual occupancy or 97% occupancy, whichever is higher.
- (8) SCDHHS will then compare the FYE 2000 CNA per diem as determined in (7) to the CNA per diem as determined in (6). If the CNA per diem as determined in (7) exceeds the CNA per diem as determined in (6), the provider has satisfied the spending requirement and thus no funds are due the SCDHHS. However, if the CNA per diem, as determined in (7), is less than the CNA per diem as determined in (6), the SCDHHS will recoup the difference (but not to exceed the facility specific October 1, 1999 CNA vacancy add on amount) paid to the facility during the period October 1, 1999 through September 30, 2001.

2. Nurse Aide Add On Effective October 1, 2000:

Effective October 1, 2000, a CNA Vacancy Add on will be included in each qualifying facility's reimbursement rate. This add on will be provided in order that nursing facilities can continue to address the industry wide nurse aide staffing/vacancy shortages due to the increase in minimum staffing requirements effective January 1, 1999.

The add on is computed using data supplied by each nursing facility as requested by the SCDHHS. The average number of CNA vacancies for each individual facility is computed using the four (4) consecutive weeks with the highest CNA vacancy factor through August 31, 2000 of each facility's FYE 2000 cost reporting period. Once the average number of CNA vacancies are calculated for each facility, the SCDHHS will convert the vacancies to hours based upon 2,920 hours per vacancy. The facility specific nurse aide new hire hourly wage rate as reported by the provider is multiplied by the average number of CNA vacancy hours to determine the total amount of CNA vacancy salary costs. The salary costs are then multiplied by each facility's nurse aide fringe benefit percentage as determined based upon the information reported on the FYE September 30, 1999 cost report, or the cost report which was used to establish the facility's rate effective October 1, 2000. The total CNA vacancy salary costs and applicable fringe benefits cost are added together and then divided by the total patient days as reported on the facility's FYE September 30, 1999 cost report (or the cost report used to set the facility's rate effective October 1, 2000), with minimum occupancy at 96%, to determine a per patient day cost. The per patient day cost is then multiplied by each facility's SFY 2000 Medicaid days paid in order to determine the total projected Medicaid cost for each facility. Because the total projected Medicaid cost applicable to the CNA vacancies exceeded the \$5.7 million available after rebasing was completed, each qualifying facility received 27.35% of the per patient day cost as the CNA vacancy add on.

In order to satisfy the CNA vacancy add on spending requirement for facilities which filed annual 1999 cost reports, the SCDHHS will use the following methodology:

- (A) The SCDHHS will use the FYE September 30, 1998 or June 30, 1998 cost reporting period to set the CNA base year cost.
- (B) The CNA base year cost will include CNA/orderly salary costs and associated fringe benefits, plus CNA/orderly pool costs.
- (C) If the sum of the facility's allowable costs of General Services, Dietary, and Laundry, Housekeeping, & Maintenance exceeds the sum of the three cost center standards, SCDHHS will compute the percentage of reimbursed allowable CNA/orderly cost by dividing the sum of the three cost center standards by the sum of the allowable costs of the three cost centers. This percentage will then be applied to 100% of the CNA costs as defined in (B) above to determine the CNA base year costs.

- (D) A desk audited CNA per diem cost will be calculated from the FYE 1998 cost reporting period using actual occupancy or 97% occupancy, whichever is higher.
- (E) To inflate the FYE 1998 costs forward to the October 1, 1999 through September 30, 2000 rate period, the desk audited CNA per diem cost from the FYE 1998 cost report will be inflated by 3%.
- (F) To inflate the FYE 1998 costs forward to the October 1, 2000 through September 30, 2001 rate period, the desk audited CNA per diem cost as computed in (E) above will be inflated by 3.2%.
- (G) The October 1, 1999 and 2000 nursing facility specific CNA vacancy add ons will be added to the trended FYE 1998 desk audited CNA per diem cost as determined in (F) above to set the spending requirement, on a per diem basis, for CNA/orderly salaries, fringe benefits, and pool costs during the FYE September 30, 2001 or June 30, 2001 cost reporting period.
- (H) Using the September 30, 2001 or June 30, 2001 cost reporting period, the desk audited CNA per diem cost, consisting of CNA/orderly salary costs, associated fringe benefits, and pool costs will be calculated using actual occupancy or 96% occupancy, whichever is higher.
- (I) SCDHHS will then compare the FYE 2001 CNA per diem as determined in (H) to the CNA per diem as determined in (G). If the CNA per diem as determined in (H) exceeds the CNA per diem as determined in (G), the provider has satisfied the spending requirement and thus no funds are due the SCDHHS. However, if the CNA per diem, as determined in (H), is less than the CNA per diem as determined in (G), the SCDHHS will recoup the difference (but not to exceed the facility specific October 1, 2000 CNA vacancy add on amount) paid to the facility during the period October 1, 2000 through September 30, 2002.

In order to satisfy the CNA vacancy add on spending requirement for facilities which filed less than a full year (i.e., Actual) cost report, the SCDHHS will use the following methodology:

- (a) For Nursing Facilities Which Received an October 1, 1999 and October 1, 2000 CNA Add On:
 - (1) The SCDHHS will use the short/actual cost report ending on or after FYE September 30, 1998 but prior to FYE September 30, 1999 to set the CNA base year cost.
 - (2) The CNA base year cost will include CNA/orderly salary costs and associated fringe benefits, plus CNA/orderly pool costs.
 - (3) If the sum of the facility's allowable costs of General Services, Dietary, and Laundry, Housekeeping, & Maintenance exceeds the sum of the three cost center standards, SCDHHS will compute the percentage of reimbursed allowable CNA/orderly cost by dividing the sum of the three cost center standards by the sum of the allowable costs of the three cost centers. This percentage will then be applied to 100% of the CNA costs as defined in (2) above to determine the CNA base year costs.
 - (4) A desk audited CNA per diem cost will be calculated from the base year cost report period as determined in (1) above using actual occupancy or 97% occupancy, whichever is higher.
 - (5) To inflate the base year costs forward to the October 1, 1999 through September 30, 2000 rate period, the desk audited CNA per diem cost from the base year cost report period will be inflated by 3%.
 - (6) To inflate the base year costs forward to the October 1, 2000 through September 30, 2001 rate period, the desk audited CNA per diem cost as computed in (5) above will be inflated by 3.2%.
 - (7) The October 1, 1999 and 2000 nursing facility specific CNA vacancy add ons will be added to the trended base year desk audited CNA per diem cost as determined in (6) above to set the spending requirement, on a per diem basis, for CNA/orderly salaries, fringe benefits, and pool costs during the FYE September 30, 2001 or June 30, 2001 cost reporting period.

- (8) Using the September 30, 2001 or June 30, 2001 cost reporting period, the desk audited CNA per diem cost, consisting of CNA/orderly salary costs, associated fringe benefits, and pool costs will be calculated using actual occupancy or 96% occupancy, whichever is higher.
- (9) SCDHHS will then compare the FYE 2001 CNA per diem as determined in (8) to the CNA per diem as determined in (7). If the CNA per diem as determined in (8) exceeds the CNA per diem as determined in (7), the provider has satisfied the spending requirement and thus no funds are due the SCDHHS. However, if the CNA per diem, as determined in (8), is less than the CNA per diem as determined in (7), the SCDHHS will recoup the difference (but not to exceed the facility specific October 1, 2000 CNA vacancy add on amount) paid to the facility during the period October 1, 2000 through September 30, 2002.
- (b) For Nursing Facilities Which Received Only an October 1, 2000 CNA Add On:
 - (1) The SCDHHS will use the short/actual cost report ending on or after FYE September 30, 1999 but prior to FYE September 30, 2000 to set the CNA base year cost.
 - (2) The CNA base year cost will include CNA/orderly salary costs and associated fringe benefits, plus CNA/orderly pool costs.
 - (3) If the sum of the facility's allowable costs of General Services, Dietary, and Laundry, Housekeeping, & Maintenance exceeds the sum of the three cost center standards, SCDHHS will compute the percentage of reimbursed allowable CNA/orderly cost by dividing the sum of the three cost center standards by the sum of the allowable costs of the three cost centers. This percentage will then be applied to 100% of the CNA costs as defined in (2) above to determine the CNA base year costs.

- (4) A desk audited CNA per diem cost will be calculated from the base year cost report period as determined in (1) above using actual occupancy or 96% occupancy, whichever is higher.
- (5) To inflate the base year costs forward to the October 1, 2000 through September 30, 2001 rate period, the desk audited CNA per diem cost as computed from the base year cost report period will be inflated by 3.2%.
- (6) The October 1, 2000 nursing facility specific CNA vacancy add on will be added to the trended base year desk audited CNA per diem cost as determined in (5) above to set the spending requirement, on a per diem basis, for CNA/orderly salaries, fringe benefits, and pool costs during the FYE September 30, 2001 or June 30, 2001 cost reporting period.
- (7) Using the September 30, 2001 or June 30, 2001 cost reporting period, the desk audited CNA per diem cost, consisting of CNA/orderly salary costs, associated fringe benefits, and pool costs will be calculated using actual occupancy or 96% occupancy, whichever is higher.
- (8) SCDHHS will then compare the FYE 2001 CNA per diem as determined in (7) to the CNA per diem as determined in (6). If the CNA per diem as determined in (7) exceeds the CNA per diem as determined in (6), the provider has satisfied the spending requirement and thus no funds are due the SCDHHS. However, if the CNA per diem, as determined in (7), is less than the CNA per diem as determined in (6), the SCDHHS will recoup the difference (but not to exceed the facility specific October 1, 2000 CNA vacancy add on amount) paid to the facility during the period October 1, 2000 through September 30, 2002.

E. Payment for Hospital-based and Non-profit Facilities

Hospital-based and non-profit facilities will be paid in accordance with Sections IV A, B, C, and D.

- F. Payment determination for a new facility, replacement facility, change of ownership through a purchase of fixed assets, change of ownership through a lease of fixed assets, when a facility changes its bed capacity by more than fifty percent (50%), or when temporary management is assigned by the state agency to run a facility.

1. Payment determination for a new facility or a facility that changes its bed capacity by more than fifty percent (50%):

The following methodology shall be utilized to determine the rate to be paid to a new facility or a facility that changes its bed capacity by more than fifty percent (50%):

Based on a six (6) month's projected budget of allowable costs covering the first six months of the Provider's operation under the Medicaid program, the Medicaid agency will set an interim rate to cover the first six (6) months of operation or through the last day of the sixth (6th) full calendar month of operation. The same rate setting methodology previously described will be applied to the provider's allowable costs in determining the rate except that all standards to be used will be one hundred twenty percent (120%) of the standards for the size of facility to adjust for lower initial occupancy. The one hundred twenty percent (120%) adjustment is determined by considering the average eighty percent (80%) occupancy for the first six (6) months of operation of a new facility versus the minimum of ninety-six percent (96%) occupancy required for all facilities that have been in operation for more than six (6) months.

Within ninety (90) days after the end of the first full six (6) calendar months of operation, the provider will submit to the Medicaid Agency a Uniform Financial and Statistical report covering the period through the first full six (6) calendar months of operation. However, a thirty (30) day extension of the due date of the cost report may be granted for good cause. To request an extension, a written request should be submitted to the Division of Long Term Care Reimbursements prior to the cost report due date.

This report will be used to determine allowable reimbursement of the provider for the initial rate cycle. A new prospective rate, based upon the Uniform Financial and Statistical Report, will be determined using the methodology as previously stated in Section IV C of this plan except for the following methodology:

- a) Payment for the first six months will be retrospectively adjusted to actual costs not to exceed 120% of the standards and actual occupancy.

- b) No inflation adjustment will be made to the first six (6) months cost.

c) Effective on the first (1st) day of the seventh (7th) month of operation through the September 30 rate, the per diem costs effective July 1, 1994 will be adjusted to reflect the higher of:

1. Actual occupancy of the provider at the last month of the initial cost report; or
2. Average occupancy of nursing facilities that are new or increase bed size by more than 50%. The average occupancy will be determined based upon the last month of the initial cost report period of each type provider identified above (i.e., new facilities and facilities which increase bed size by more than 50%) over the last eighteen-month period. A minimum of 10 nursing facilities will be required for this analysis. If 10 nursing facilities are not available over the preceding eighteen month period, then the eighteen month period will be extended; or
3. 90% occupancy.

Facilities that decertify and recertify nursing facility beds that results in a change in its bed capacity by more than fifty percent (50%) will not be entitled to a new budget.

2. Payment determination for a replacement facility, or a change of ownership through a purchase of fixed assets:

A change in ownership will be defined as a transaction that results in a new operating entity. A purchase of the leased fixed assets by a lessee (owner of operating entity) will not be considered a change of ownership unless allowable Medicaid capital costs will be reduced (i.e., purchase price less than historical costs). Each change of ownership request will be reviewed individually to determine whether a six-month cost report will be required. Effective November 22, 1991, to qualify for a "new facility rate" based upon a six month cost report under a change of ownership, a sale or lease of assets between unrelated parties must occur. A new operator who leases a facility from a related party will not be entitled to a "new facility rate". Also, facilities in the process of obtaining a certificate of need due to a sale or lease between related parties prior to November 22, 1991 will be grandfathered in under the existing system.

The following methodology shall be utilized to determine the rate to be paid to a replacement facility and a new owner, where a change of ownership has occurred through a purchase of fixed assets:

Based on a six (6) month's projected budget of allowable costs covering the first six months of the provider's operation under the Medicaid program, the Medicaid Agency will set an interim rate to cover the first six (6) months of operation through the last day of the sixth (6th) full calendar month of operation. The same rate setting methodology previously described will be applied to the provider's allowable costs in determining the rate as described in Section IV C of this plan, with the exception of inflation. No inflation adjustment will be made to the interim rates for the first six (6) months cost.

Within (90) days after the end of the first full six (6) calendar months of operation, the provider will submit to the Medicaid Agency a Uniform Financial and Statistical Report covering the period through the first full six (6) calendar months of operation. However, a thirty (30) day extension of the due date of the cost report may be granted for good cause. To request an extension, a written request should be submitted to the Division of Long Term Care Reimbursements prior to the cost report due date.

This report will be used to determine allowable reimbursement of the provider for the initial rate cycle. The same rate setting methodology previously described will be applied to the provider's allowable costs in determining the rate as described in Section IV C of this plan, with the exception of inflation. No inflation adjustment will be made to the interim rates for the first six (6) months cost. Payment for the first six months will be retrospectively adjusted to actual costs not to exceed the standards. Effective on the first (1st) day of the seventh (7th) month of operation, a new prospective rate, based upon the Uniform Financial and Statistical Report, will be determined using the methodology as previously stated in Section IV C of this plan.

The Medicaid agency will determine the percent of Level A Medicaid patients served for a replacement facility or a change of ownership, using the most recent twelve months of data (See Page 16, Paragraph B-1 (e) for the time periods) as reflected on the SCDHHS Aries report to establish rates.

3. Payment determination for a change in ownership through a lease of fixed assets:

In the event of a lease of fixed assets between unrelated parties, the new operator (i.e., lessee) will receive the prior operator's rate (i.e., lessor) for the first six full calendar months of operation. For a lease effective on October 1, the State agency will determine the new operator's rate based upon the prior year's cost report filed by the prior operator on January 1. The new operator's rate for the first six full calendar months of operation will not be affected by any subsequent audits of the prior operator's cost report which was used to set the rate. In the event that the initial six full calendar months rate period crosses over into a new rate setting period effective October 1, the new operator will be entitled to receive a rate increase based upon the industry allowed inflation factor, plus any industry wide approved add on, if applicable.

For clarification purposes, we intend to use the prior operator's most recently filed and available FYE September 30 cost report to calculate the new operator's rate effective October 1 of each rate cycle during the initial six full calendar month rate period. Depending upon which most recently filed cost report is available will dictate the method used to determine the October 1 rate during the initial six full calendar month rate period (i.e. the October 1 rate during the initial six full calendar month rate period will be the prior owner's September 30 rate inflated, or the October 1 rate that the prior owner would have received if no change of ownership had taken place).

Effective the seventh month of operation, the new operator will be entitled to a new rate based upon his actual cost. The rate calculation for the new operator, based upon his actual costs, will be made in accordance with the rate setting method as described under Section IV C of this plan. The actual cost report that will be filed by the new operator will cover the period which begins with the effective date of the change in ownership and ends on September 30, provided that this time period includes at least six full calendar months of operation. In other words, if the lease is effective between October 1 and March 31, the cost report filed by the new operator will cover the period which begins with the effective date of the change in ownership and ends on September 30. If the lease is effective between April 1 and September 30, the

SC: MA 00-0015

EFFECTIVE DATE: 10/01/00

RO APPROVED: MAR 08 2001

SUPERSEDES: MA 99-012

cost report filed by the new operator will cover the period which begins with the effective date of the change in ownership and ends after six full calendar months of operation by the new operator. This cost report will be due within ninety (90) days after the end of the cost reporting period; however, a thirty (30) day extension can be granted for good cause. This cost report will determine a rate which will be effective retroactive to the new operator's seventh month of operation.

4. Rate determination for a facility in which temporary management is assigned by the state agency to run the facility:

In the event of the Medicaid agency having to place temporary management in a nursing facility to correct survey/certification deficiencies, reimbursement during the time in which the temporary management operates the facility will be based on 100% of total allowable costs subject to the allowable cost definitions set forth in this plan, effective October 1, 1990. These costs will not be subject to any of the cost standards as reflected on page 4 of the plan. Capital reimbursement will be based on historical cost of capital reimbursement in lieu of the Medicaid agency's current modified fair rental value system. Initial reimbursement will be based on projected costs, with an interim settlement being determined once temporary management files an actual cost report covering the dates of operation in which the facility was being run by the temporary management.

This report will be due within ninety (90) days after the end of the period of operation. Once new ownership or the prior owner begins operation of the facility, reimbursement will be determined as previously described for a new owner under paragraph F (2).

G. Payment for State Government Nursing Facilities and Institutions for Mental Diseases

Because State Government facilities operate on budgets approved by the General Assembly and overseen by the Budget and Control Board, State Government nursing facilities and long term care IMD's will be paid retrospectively their total allowable costs subject to the allowable cost definitions set forth in this plan effective October 1, 1989. Effective October 1, 1991, allowable costs will include all physician costs, excluding the professional component side of physician cost. The professional component side will be billed separately under the physician services line of the South Carolina Medicaid Program.

H. Payment Determination for ICF/MR's

1. All ICF/MR's shall apply the cost finding methods specified under 42 CFR 413.24(d) (1998) to its allowable costs for the cost reporting year under the South Carolina State Plan. ICF/MR facilities will not be subject to the allowable cost definitions V (A) through V (H) as defined in the plan.
2. All State owned/operated ICF/MR's are required to report costs on the Medicare Cost Reporting Form SSA 2552. For cost reporting periods beginning on or after July 1, 1986, all other ICF/MR's which are not operated by the State (S.C. Department of Disabilities and Special Needs) will file annual financial and statistical report forms supplied by the Medicaid Agency. All cost reports must be filed with the Medicaid Agency within one hundred twenty (120) days from close of each fiscal year.
3. ICF/MR's will be reimbursed on a retrospective cost related basis as determined in accordance with Medicare (Title XVIII) Laws, Regulations, and Policies adjusted for services covered by Medicaid (Title XIX).

Items of expense incurred by the ICF/MR facility in providing care are allowable costs for inclusion in the facility's cost report. These allowable costs are defined as items of expense which the provider may incur in meeting the definition of intermediate care or any expenses incurred in complying with state licensing or federal certification requirements.

Medicaid payment to the ICF/MR includes, but is not limited to, reimbursement for the following services:

- a) Room and board including all of the items necessary to furnish the individual's room (luxury items/fixtures will not be recognized as an allowable cost). 42 CFR §483.470(b), (c), (d), (e), (f), and (g) (1) - (1998).
- b) Direct care and nursing services as defined for each living unit of the facility. 42 CFR §483.460(c) - (1998).
- c) Training and assistance as required for the activities of daily living, including, but not limited to, toileting, bathing, personal hygiene and eating as appropriate. 42 CFR §483.440(a) - (1998).
- d) Walkers, wheelchairs, dental services, eyeglasses, hearing aids and other prosthetic or adaptive equipment as needed. If any of these services are reimbursable under a separate Medicaid program, the cost will be disallowed in the cost report (effective for cost reporting periods beginning July 1, 1989).

SC: MA 00-015

EFFECTIVE DATE: 10/01/00

RO APPROVED: MAR 08 2001

SUPERSEDES: MA 99-012